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Joint Legislative Audit and Review Committee (JLARC)

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June 26, 2006

TO: Members of the Washington State Legislature

FROM: JLARC Executive Committee

SUBJECT: **Updated 2005-07 Biennium JLARC Work Plan**

JLARC develops a Work Plan each biennium, which outlines what our Committee will take up over the next two years. This Plan reflects studies that the Legislature has mandated to us, as well as our JLARC-sponsored studies.

Our JLARC statute (RCW 44.28.083) directs us to transmit our biennial Work Plan to the appropriate fiscal and policy committees of the Senate and House of Representatives. We sent an initial version of this in March 2005 and a subsequent update in October.

This **second update to JLARC's 2005-07 Work Plan (Attachment 1)**, which was approved at the Committee's May 24th meeting, reflects: 1) the addition of new study mandates from the 2006 Session; 2) the addition of a Committee-sponsored assessment of K-12 Performance and Resource Data; and 3) a few timing adjustments for certain planned report dates. Our Work Plan is also kept up-to-date on our website at <http://www1.leg.wa.gov/JLARC/WorkPlan/>.

We want to highlight two particular items that are now on our 2005-07 Work Plan (**State Auditor's Performance Audits—Initiative 900** and **Tax Preference Audits** under EHB 1069) as these have some unique requirements. Further, these are ongoing assignments that will extend beyond the 2005-07 Biennium.

As you are aware, Initiative 900, which passed in the November 2005 General Election, directs that all state and local government entities undergo performance audits to ensure accountability and guarantee that tax dollars are spent as cost-effectively as possible. The performance audits are to be conducted by the State Auditor in accordance with General Accountability Office auditing standards. Initiative 900 added a new annual requirement for the Joint Legislative Audit and Review Committee (JLARC) to report on the status of legislative implementation of State Auditor recommendations.

The Initiative also requires the Legislature to hold public hearings within 30 days of the State Auditor releasing an audit to consider audit findings and receive public testimony. ESSB 6386 from the 2006 Legislative Session appropriates funding to JLARC for the purposes of the legislative hearings and reporting requirements under Initiative 900. Attached are two flow charts that outline **JLARC's processes for accomplishing Initiative 900 public hearing and reporting requirements (Attachment 2)**.

EHB 1069 from the 2006 Legislative Session creates a Citizen Commission for Performance Measurement of Tax Preferences and directs that the Commission develop a schedule to accomplish an orderly review of tax preferences at least once every ten years. JLARC is to review tax preferences according to the schedule developed by the

Joint Legislative Audit And Review Committee

June 26, 2006

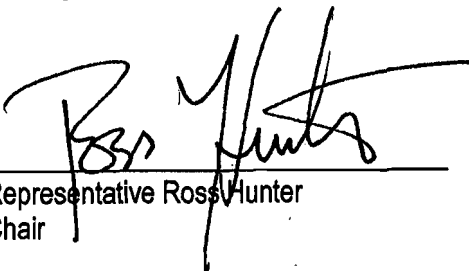
Transmittal Memo to Members of the Washington State Legislature

Updated 2005-07 JLARC Work Plan

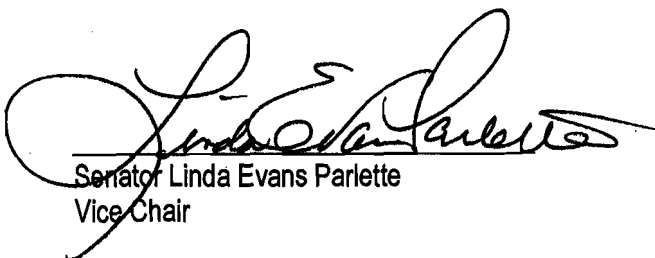
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Commission and, for each tax preference, provide a recommendation as to whether the tax preference should be continued without modification, modified, scheduled for sunset review at a future date, or terminated immediately. JLARC is to also provide clerical, technical, and management personnel to the Commission to serve as the Commission's staff. A flow chart outlining **JLARC's process for accomplishing tax preference reviews under EHB 1069 is also attached (Attachment 3).**

If you have any questions, or additional study suggestions, please get in touch with JLARC's Legislative Auditor, Ruta Fanning, at 360.786.5175 or email fanning.ruta@leg.wa.gov.



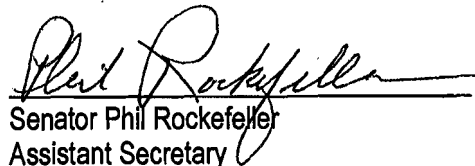
Representative Ross Hunter
Chair



Senator Linda Evans Parlette
Vice Chair



Representative Gary Alexander
Secretary



Senator Phil Rockefeller
Assistant Secretary

Attachments (3)

cc: Tom Hoemann, Secretary of the Senate
Brad Hendrickson, Deputy Secretary of the Senate
Mike Hoover, Senior Senate Counsel
Marty Lovinger, Senior Senate Counsel
Mike O'Connell, Legal Counsel, Legislative Ethics
Richard Rodger, SCS Staff Director
Carolyn Busch, SDC Chief of Staff
Jim Troyer, SRC Chief of Staff
SCS Coordinators, Counsels, and Analysts
SDC Coordinators, Counsels, and Analysts
SRC Coordinators, Counsels, and Analysts

Rich Nafziger, Chief Clerk of the House
Bill Wegelben, Deputy Chief Clerk of the House
Sharon Hayward, Director, Fac. & Human Resources
Allen Hayward, House Leadership Counsel
Cathy Maynard, Speaker's Attorney
Tim Sekerak, House Counsel
Ken Conte, OPR Staff Director
Majken Ryherd, HDC Chief of Staff
David Castillo, HRC Chief of Staff
OPR Coordinators, Counsels, and Analysts
HDC Coordinators, Counsels, and Analysts
HRC Coordinators, Counsels, and Analysts



State of Washington

Joint Legislative Audit and Review Committee (JLARC)

May 24, 2006 Update to 2005-07 Work Plan

2006 Legislative Session Adds

New Study Mandates From 2006 Legislative Session	Study Origin	Report Date	JLARC Staff Contact
JLARC Life-Cycle Cost Model Update	ESSB 6384	Dec 2006	JLARC Staff
Performance Audits of Tax Preferences <i>(Ongoing)</i>	EHB 1069	Jul 2007	JLARC Staff
Review of State's Business Incubators	ESSB 6386	Jun 2007	JLARC Staff
Review of DDD Services Prioritization and Allocation	ESSB 6386	Jun 2007	JLARC Staff
Initiative 900 Requirements <i>(Ongoing)</i> ➤ Legislative Hearings on SAO Performance Audits ➤ Reporting on Legislative Implementation of SAO Audit Recommendations	Initiative 900 & ESSB 6386	Begin Dec 2006 Jul 2007	JLARC Staff
Veterans Innovations Program Pre-Sunset Review	2SHB 2754	Dec 2007	JLARC Staff
Review of the Small Employer Health Insurance Program	E2SHB 2572	Dec 2009	JLARC Staff
Evaluation of the Department of Early Learning	2SHB 2964	Jul 2010	JLARC Staff
Study of Health Professions Disciplinary Process	SHB 2974	Dec 2010	JLARC Staff
Evaluation of the Effectiveness of the Washington State Motion Picture Competitiveness Program	2SSB 6558	Dec 2010	JLARC Staff
Evaluation of the Local Infrastructure Financing Tool Demonstration Program	E2SHB 2673	Sep 2013	JLARC Staff
Veterans Innovations Program Sunset Review	2SHB 2754	Dec 2015	JLARC Staff
Review of the Interagency Coordinating Council on Health Disparities	2SSB 6197	Dec 2016	JLARC Staff

2005-07 JLARC Work Plan *(Proposed March 2006 Update —Includes 2006 Session Adds)*

I. Study Mandates & Other Scheduled Committee Projects	Study Origin	Planned Report Date	JLARC Staff Contact
Refresh of Preservation Information in Comparable Framework	ESSB 6094 (2005-07 Capital Budget)	Mar 2006	Karen Barrett – 360.786.5181 Barrett.karen@leg.wa.gov
Certificate of Need Program Performance Audit	E2SHB 1688 (2005)	Prelim: May 2006 Final: Jun 2006	Lisa Jeremiah – 360.786.5293 Jeremiah.lisa@leg.wa.gov
Audit of Hood Canal Graving Dock Site	TPAB-Sponsored	Prelim: Jun 2006 Final: Jun 2006	Valerie Whitener – 360.786.5177 Whitener.valerie@leg.wa.gov
Review of Service Coordination in DSHS	JLARC-Sponsored	Prelim: Jun 2006 Final: Aug 2006	John Woolley – 360.786.5184 Woolley.john@leg.wa.gov
Basic Health Plan Study: Part 2	ESSB 6090 (2005-07 Operating Budget)	Prelim: Aug 2006 Final: Sep 2006	Cynthia L. Forland – 360.786.5178 Forland.cynthia@leg.wa.gov
K-12 Pupil Transportation Funding Formula Study	ESSB 6090 (2005-07 Operating Budget)	Prelim: Aug 2006 Final: Sep 2006	Stephanie Hoffman – 360.786.5176 Hoffman.stephanie@leg.wa.gov
State Investment Board Salary Survey Review: 2006 Update	SSB 5988 (2001)	Sep 2006	JLARC Staff
Performance Audits of Tax Preferences	EHB 1069 (2006)	Audits begin Sep 2006	Keenan Konopaski – 360.786.5187 Konopaski.keenan@leg.wa.gov
Front-end Review of Performance Measures & Data Collection Plan: City-County Assistance Account	ESSB 6050 (2005)	Oct 2006	Lisa Jeremiah – 360.786.5293 Jeremiah.lisa@leg.wa.gov
Update of JLARC Life-cycle Cost Model	ESSB 6384 (2006)	Oct 2006	Keenan Konopaski – 360.786.5187 Konopaski.keenan@leg.wa.gov
Civil Service Reform Act: Implementation of Contracting-out Process	SHB 1268 (2002)	Prelim: Oct 2006 Final: Dec 2006	John Woolley – 360.786.5184 Woolley.john@leg.wa.gov
Legislative Hearings on SAO Performance Audits <i>(Ongoing)</i>	Initiative 900 (2005) ESSB 6386 (2006)	Hearings begin Dec 2006	Ruta Fanning – 360.786.5175 Fanning.ruta@leg.wa.gov
Inventory of State Infrastructure Programs	ESHB 1903 (2005)	Prelim: Dec 2006 Final: Jan 2007	Linda Byers – 360.786.5183 Byers.linda@leg.wa.gov
Performance Review of Home Care Quality Authority	Initiative 775 (2001)	Prelim: Dec 2006 Final: Jan 2007	Fara Daun – 360.786.5174 Daun.fa@leg.wa.gov
Office of Regulatory Assistance Sunset Review	E2SHB 2671 (2002)	Prelim: Dec 2006 Final: Jan 2007	Karen Barrett – 360.786.5181 Barrett.karen@leg.wa.gov
Performance Audit of DOH Public Health Mission	JLARC-Sponsored	Prelim: Jan 2007 Final: Feb 2007	Robert Krell – 360.786.5182 Krell.robert@leg.wa.gov
K-12 Performance and Resource Data Assessment	JLARC-Sponsored	Prelim: Jan 2007 Final: Feb 2007	Nina Oman – 360.786.5186 Oman.nina@leg.wa.gov

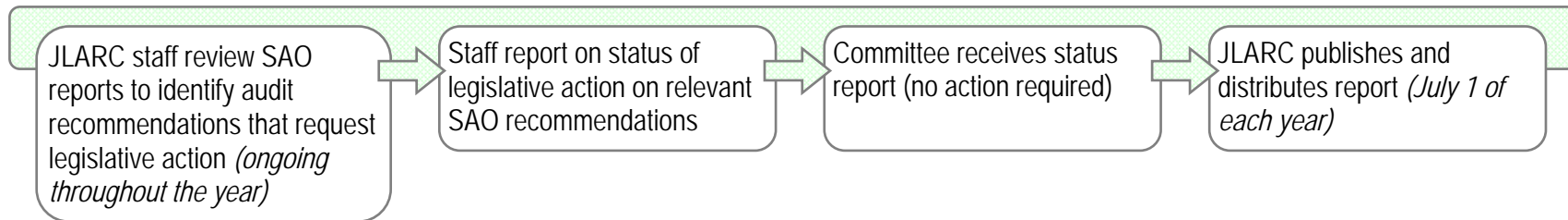
I. Study Mandates & Other Scheduled Committee Projects <i>(Continued)</i>	Study Origin	Planned Report Date	JLARC Staff Contact
Review of DDD Services Prioritization and Allocation	ESSB 6386 (2006)	Interim: Jan 2007 Prelim: May 2007 Final: Jun 2007	JLARC Staff
UW Metropolitan Tract Report: 2007	ESHB 1991 (1999)	Feb 2007	Karen Barrett – 360.786.5181 Barrett.karen@leg.wa.gov
Pre-Sunset Review: Prescription Drug Affordability Program	SB 6088 (2003)	Feb 2007	Cynthia L. Forland – 360.786.5178 Forland.cynthia@leg.wa.gov
Review of State's Business Incubators	ESSB 6386 (2006)	Prelim: May 2007 Final: Jun 2007	JLARC Staff
Implementation of ESHB 1064–Government Performance	ESHB 1064 (2005)	Prelim: May 2007 Final: Jun 2007	Ruta Fanning – 360.786.5175 Fanning.ruta@leg.wa.gov
II. JLARC Performance Audit Follow-up			
2000 Mental Health System Performance Audit	JLARC-Directed	Jun 2007	Valerie Whitener 360.786.5177 Whitener.valerie@leg.wa.gov
Audit Follow-up (Other 2002-05 JLARC studies)	JLARC-Directed	To Be Scheduled	JLARC Staff
III. Other Committee-Sponsored Studies To Be Scheduled			
Review of Medicaid Prescription Drug Purchasing	JLARC-Sponsored	Prelim: Nov 2007* Final: Dec 2007	JLARC Staff
Evaluation of State Performance Tracking Systems	JLARC-Sponsored	Prelim: Jan 2008* Final: Feb 2008	JLARC Staff

2007-09 JLARC Work Plan *(Includes 2006 Session Adds)*

I. Study Mandates & Other Scheduled Committee Projects	Study Origin	Planned Report Date	JLARC Staff Contact
Legislative Hearings on SAO Audits	Initiative 900 (2005) ESSB 6386 (2006)	Ongoing	JLARC Staff
Report on Legislative Implementation of SAO Recommendations	Initiative 900 (2005) ESSB 6386 (2006)	Jul 2007 Jul 2008	JLARC Staff
Performance Audits of Tax Preferences	EHB 1069 (2006)	Jul 2007 Jul 2008	JLARC Staff
Office of Public Defense Sunset Review	SHB 2441 (2000)	Dec 2007	JLARC Staff
Review of Ambulance Utilities	ESHB 1635 (2005)	Dec 2007	JLARC Staff
Veterans Innovations Program: Pre-Sunset Review	2SHB 2754 (2006)	Dec 2007	JLARC Staff
Intermediate Driver's License Program Sunset Review	ESSB 6264 (2000)	June 2008	JLARC Staff
State Investment Board Salary Survey Review: 2008 Update	SSB 5988 (2001)	Sep 2008	JLARC Staff
Underground Storage Tank Program Sunset Review	SHB 2441 (2000)	Dec 2008	JLARC Staff
Performance Audit of Prescription Drug Consortium	SSB 5471 (2005)	Dec 2008	JLARC Staff
Review of Distributions from City-County Assistance Account	ESSB 6050 (2005)	Dec 2008	JLARC Staff
Performance Review of Home Care Quality Authority	Initiative 775 (2001)	Dec 2008	JLARC Staff
UW Metropolitan Tract Report: 2009 Update	ESHB 1991 (1999)	Feb 2009	JLARC Staff
II. JLARC Performance Audit Follow-up			
Audit Follow-up (Other 2004-07 JLARC studies)	JLARC-Directed	To Be Scheduled	JLARC Staff
III. Other Committee-Sponsored Studies To Be Scheduled			
To be determined.	JLARC-Sponsored	To Be Scheduled	JLARC Staff

* Note: This Committee-sponsored study is currently unscheduled on JLARC's 2005-07 Work Plan. Dates shown here are earliest possible reporting dates. We would propose moving these to JLARC's 2007-09 Work Plan.

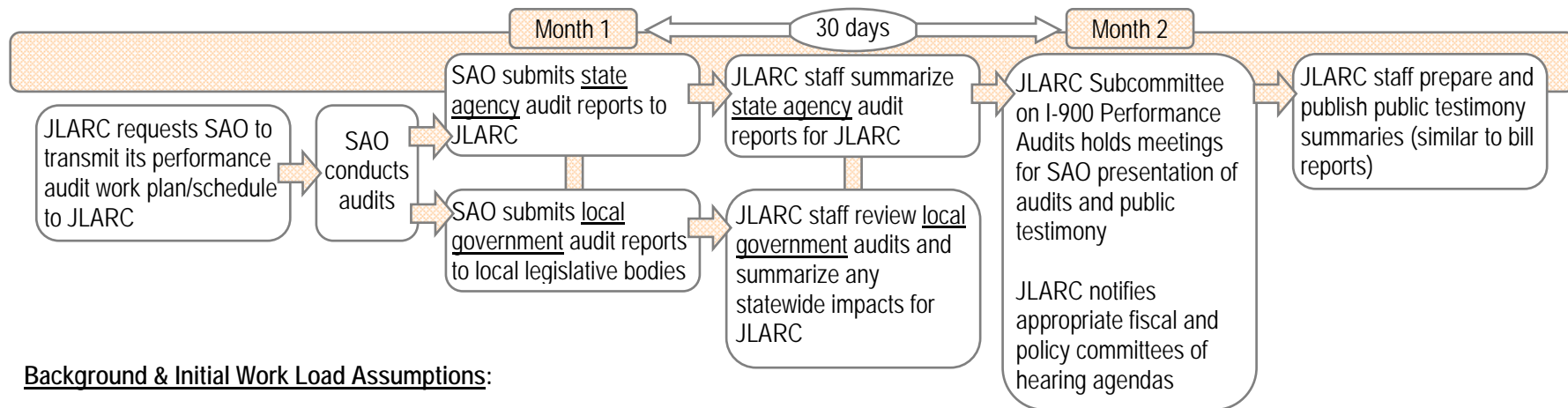
I-900 JLARC Reporting Requirements Proposed JLARC Process



Background & Initial Work Load Assumptions:

- Initiative 900 added a new annual requirement for JLARC to report on the status of legislative implementation of State Auditor recommendations.
- The reporting requirement applies to “legislative” recommendations only—those recommending some type of legislative action. The annual JLARC report will provide status of legislative action that was taken in response to the recommendations.
- Assuming the SAO delivers their first audits beginning in late 2006, JLARC’s first annual report on legislative implementation would be delivered in July 2007.
- State Auditor currently anticipates 3 to 5 audit reports per month (up to 60 reports per year with an estimated average of 600 recommendations per year).
- The proposed 2005-07 work plan reflects additional staff work to support JLARC’s implementation of I-900 reporting and hearings requirements.

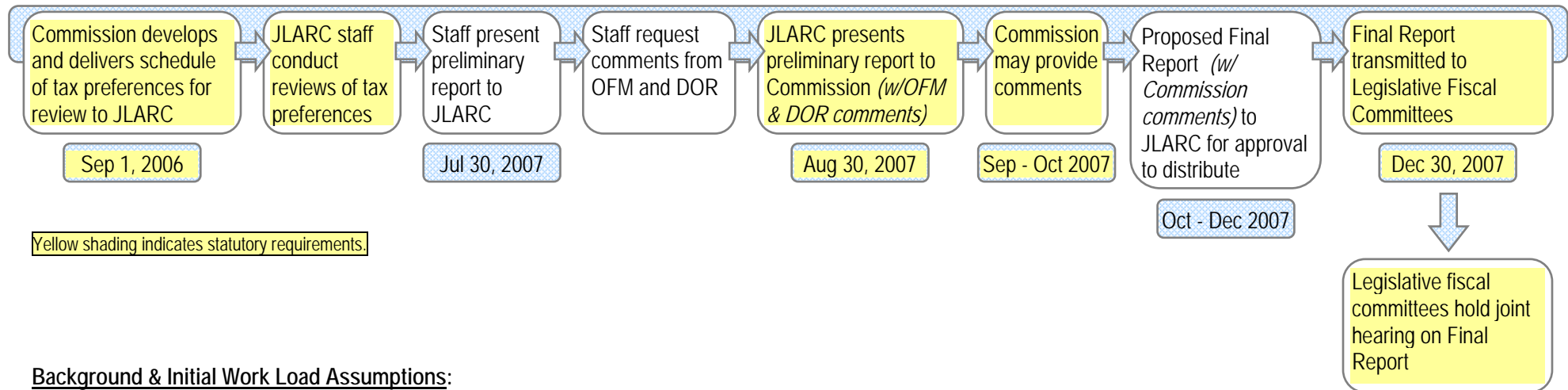
I-900 Public Hearing Requirements Proposed JLARC Process



Background & Initial Work Load Assumptions:

- Initiative 900 requires the Legislature to hold public hearings within 30 days of the State Auditor releasing an audit, to consider audit findings and receive public testimony.
- Hearings will be required on a regular basis throughout the year—State Auditor currently estimates audits will start to be delivered by the end of calendar year 2006.
- Existing joint legislative committee rules pertaining to public hearings will be utilized.
- JLARC will establish the Subcommittee on I-900 Performance Audits for holding public hearings and receiving testimony on State Auditor performance audit reports.
- JLARC already operates throughout the year but may need to add two or three meetings to the current schedule.
- The Committee may consider meeting locations other than our Olympia and SeaTac locations in the future. This will be done as the Committee deems appropriate, in order to maximize geographic access to hearings for parties wishing to testify on specific SAO audits.
- The proposed 2005-07 work plan reflects additional staff work to support JLARC's implementation of I-900 reporting and hearings requirements.

EHB 1069 – Tax Preference Reviews Proposed JLARC Process



Background & Initial Work Load Assumptions:

- Section 3 of EHB 1069 creates a Citizen Commission for Performance Measurement of Tax Preferences—seven members:
 - ✓ State Auditor (non-voting)
 - ✓ JLARC Chair (non-voting)
 - ✓ Chair of the two largest caucuses of the House and Senate each appoint a member
 - ✓ Governor appoints a member
- JLARC to provide clerical, technical, and management personnel to the Commission to serve as the Commission's staff.
- Commission to meet at least once a quarter, may hold additional meetings at the call of the Chair or by a majority vote of Commission members.
- Commission to develop a schedule to accomplish orderly review of tax preferences at least once every ten years. Commission:
 - ✓ Shall schedule tax preferences for review in the order the tax preferences were enacted into law, except that the Commission may elect to include a tax preference that has a statutory expiration date;
 - ✓ Shall omit preferences that are required by constitutional law;
 - ✓ May omit any tax preference that the Commission determines is a critical part of the structure of the tax system;
 - ✓ May recommend expedited review process for any tax preference that has an estimated biennial fiscal impact of \$10 m or less.
- The proposed 2005-07 work plan reflects additional staff work to support JLARC's assignment to conduct reviews and staff the Commission.

EHB 1069 – Tax Preference Reviews Proposed JLARC Process

- **Over 503 tax preferences** (per DOR 2004 study). Of these:
 - ✓ 20 preferences would be exempted on constitutional grounds or due to federal requirements as directed in Section 4 (1) of EHB 1069
 - ✓ 358 preferences are estimated to have a biennial impact of less than \$10 million and would be subject to expedited review
 - ✓ 20 preferences do not have biennial impacts listed to avoid disclosing taxpayer identity and are assumed to be candidates for expedited review
 - ✓ 27 preferences likely to be exempted from the review process under presumption they will be designated a "critical part of the structure of the tax system" (such as sales tax on groceries)**Leaves a total of 78 tax preferences as potential candidates for review.**
- For estimating the number of audit months that would be required to review each preference, JLARC attempted to assign the preferences a "level of effort:"
 - ✓ 26 Large Reviews – 3 audit months each
 - ✓ 26 Medium Reviews – 1.5 audit months each
 - ✓ 26 Small Reviews - 0.5 audit months each
- With above assumptions, requirements of EHB 1069 would be met by completing seven to eight reviews per year during the 10-year review cycle.
- Statute allows discretion as to overall process for JLARC to conduct the tax preference reviews. The process outlined above follows JLARC's current study and report process.
- A motion is required by JLARC regarding inoperable date for the January 12th "special report" of expiring preferences.
 - ✓ While this date is inoperable, the Committee will endeavor to submit a review of tax preferences that expire before January 2008.

May 24, 2006